

➤ **Q: What spending items are not allowed for deductions in computing the Foreign Enterprise Income Tax payable?**

A: In computing the taxable income of the enterprises with foreign investment and foreign enterprises, the following spending items are not allowed for deductions (unless otherwise provided by the State):

- a. Spending on the acquisition or construction of fixed assets.
- b. Spending on transfer or development of intangible assets.
- c. Interest on capital.
- d. Various taxes paid on income.
- e. Fines on unlawful operations and losses sustained from confiscated property.
- f. Various interest on late payment of taxes and fines.
- g. The portion of losses from natural calamities or accidents covered by insurance
- h. Donations and contributions other than those utilized in China for public welfare or relief purposes
- i. Royalties paid to the head office.
- j. Other spending items not related to production or business operation.

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